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Attachment 2

Paragraphs 5 and 6, NIE 100-1-54
23 March 1954

5. Relaxation of non-Communist trade controls would increase Bloc economic capabilities. However, the over-all effect would probably not be significant because:

- a. The estimated increase in Bloc imports would be small relative to Bloc output; and
 - b. Bloc adjustments to non-Communist trade controls and general Bloc progress toward self-sufficiency under controls have almost certainly reduced Bloc needs for the categories of goods which would be decontrolled.
6. The assumed program of relaxation of controls would improve the Bloc's strategic position. There are almost certainly various bottlenecks in the Bloc economy which would be relieved by the importation of the items assumed to be decontrolled. Certain scarcities would be remedied. In these ways the Bloc economy would gain advantages from the decontrol. However, since we estimate that the assumed relaxation of controls would not significantly increase the total Bloc output of goods and services and

would be unlikely to increase the proportion of that output devoted to military production or use, the increase in total Bloc military potential would almost certainly be small. ¹ 2

1. The Director of Naval Intelligence, the Assistant Chief of Staff, G-2, Department of the Army, and the Deputy Director for Intelligence, The Joint Staff, believe that the last sentence of Conclusion 6 should be amended as follows:

However, since we estimate that the assumed relaxation of controls would not significantly increase the total Bloc output of goods and services and would be unlikely to increase the proportion of that output devoted to military production or use, the increase in total Bloc military potential would probably be small on a quantitative basis. Qualitatively this increase resulting from the assumed relaxation of controls could provide significantly important additions to Bloc military capabilities. "2

2. It must be borne in mind that under any system of trade controls, there is always danger that individual items capable of conferring strategic advantage may be obtained by the Bloc. This danger might be increased by relaxation of controls.